

# Digital Luxury Marketing : Technology Shapes a New Era in Luxury Consumption

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## Abstract

Luxury products are marketed unlike any other product – the focus is not on the need of the consumer but instead on the indulgence and affluence of the consumer. While luxury brands have often strayed from facilitating information by engaging in online activity, the new drive in e-commerce is proving to be more beneficial than harmful to companies. Creating an online presence generates a new channel of communication between brands and their existing and prospective customers. Research data shows that an increasing number of luxury consumers, particularly within the new market are having their first interactions with luxury brands online. While additional data support that increase, the engagement of luxury brands online can result in increased sales. The future is today, and the decisions and adaptations brands make today – determine their ability to remain in the market. However, adaptations and changes do not come without its challenges, but in the long run, the benefits are worth it.

*Keywords:* Luxury, Luxury goods, Marketing, Digital Marketing, Technology

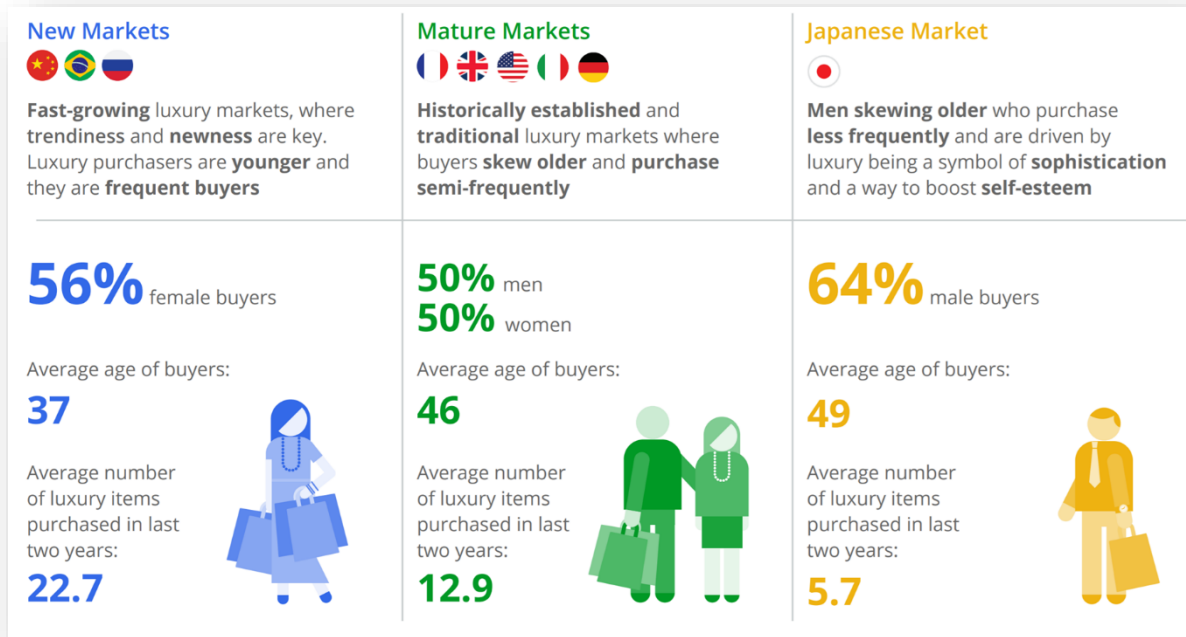
## Digital Luxury Marketing: Technology Shapes a New Era in Luxury

### Consumption

The marketing of luxury goods is different from any other product – unlike your typical item which is marketed so that consumers have the most access to purchase. Luxury companies market luxury goods to be desired and seem almost unattainable. They find prestige and status in the fact that their products are exclusive and not readily available everywhere – which is why many luxury companies still struggle to embrace digital marketing fully.

Luxury goods have traditionally been only available in stores with few luxury brands having a presence online. In an era driven by the innovations in technology, the world is seeing a fast pace change in trends across many areas of the market, including the luxury market. The rise of digital marketing is demonstrating that consumers are open and willing to do research and shopping online. As stated by Mckinsey, "40% of all luxury goods purchase decisions are influenced by what consumers see and hear online. That means, in an industry with more than \$280 billion in sales last year, online-influenced purchases accounted for more than \$100 billion in revenue" (Shaoolian, 2017). Consumers are more technologically capable than ever before; the ease for information to flow through online platforms has opened the door for a new way for brands to connect with customers. There are challenges in making the transition. However, the change can provide considerable

benefits to luxury brands. Nevertheless, the new era of e-commerce for luxury goods is here, and companies will need to get creative to stay competitive and maintain their prestige.



The luxury market is made of up of different types of consumers – each consumer making up a section within the market. As seen in the figure above, within the main three markets there is a significant variation in the average number of purchases, who is making the purchase, and at what age the purchase is being made (How Affluent Shoppers Buy Luxury Goods: A Global View, 2013).

The consumer needs most often influence marketing; however, luxury marketing does not focus on the need of the consumer; instead, it is the consumers' affluence, indulgence, and taste (Dargan, 2018). In the figure, the drive behind the purchase also varies between

each market, and thus the way the products are marketed to these consumers will vary to meet their distinctive motivation for purchase (How Affluent Shoppers Buy Luxury Goods: A Global View, 2013). The interactions between consumers of luxury goods and luxury brands are changing. The complexities of the new trends in digital luxury marketing are seen by looking at the market, the impact of technology, the market growth, the consumer, and the future of the luxury market.

## 1 THE LUXURY MARKET

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A market that is often defined by conspicuous and excess consumption is now subject to a variety of definitions as the world evolves and consumers change (Carreon, 2011). While there are many loose interpretations of what the word “luxury” means, in this context the resources utilized categorized luxury goods as goods which had the following: price premium, quality/rarity of raw materials, quality of craftsmanship, exclusivity, service, and personalization, quality and exclusivity of points of sale (Arienti, 2019). These attributes are essential to note because they have been influenced primarily by the historical way in which goods were sold and marketed – so companies will have to be able to align their digital presence with them to maintain their luxury status.

Traditionally, luxury products have been marketed without the use of websites, email subscriptions, or social media. The trends in the luxury market have for many years allowed luxury companies to rely on exclusivity and retail stores to generate relationships with the

customers, however, with the rise of online retailers and digitally savvy consumers – companies are now faced with the challenge of recreating their luxurious experience in the virtual world. It is now up to the companies of luxury goods to add to their skills and learn to master e-commerce if they wish to continue to stay competitive in the new digital era (Why Luxury Brands Are Racing to Embrace E-Commerce, 2018).

Companies that sell and produce luxury goods are aware of their need to increase their online presence; in fact companies like Louis Vuitton and L'Occitane en Provence are already utilizing artificial intelligence software to provide their customers with a better experience while shopping online (Beuloye, January 2019). A U.S. Luxury E-Commerce Report published in January 2019 by NPD Group, reported that in particular, the online luxury market had significantly benefited from an increase in spending noting a 17% increase in expenditure per buyer. The potentiality for continuous growth is unprecedented, and the luxury market is now experiencing new growth in the online sector – not only due to online sales, but it is also their new digital marketing approach that is facilitating the growth.

## 1.1 THE IMPACT OF TECHNOLOGY & MARKET GROWTH

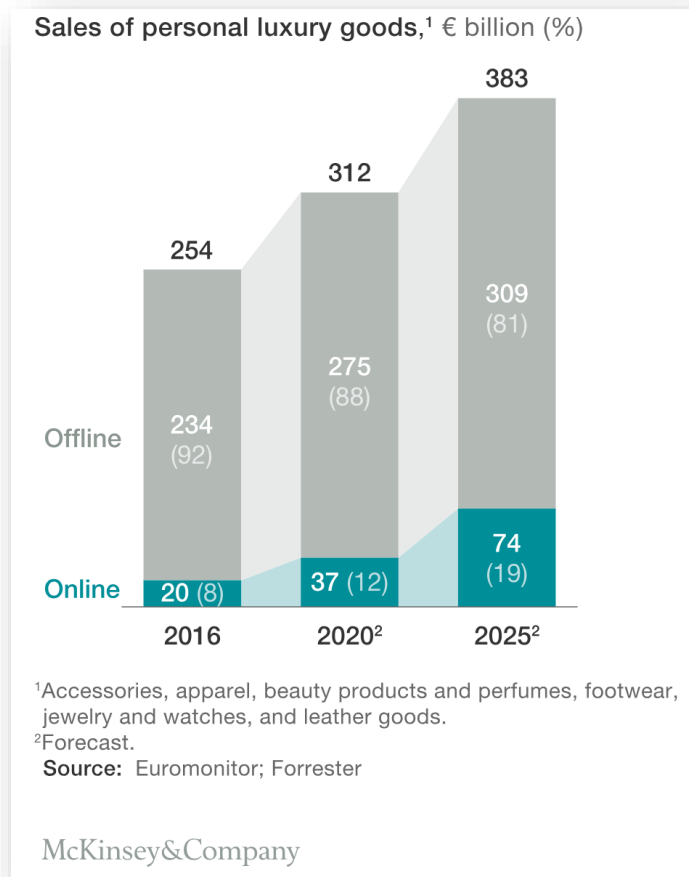
Adaptation is a requirement to stay relevant in today's highly competitive market. Luxury brands are making the shift towards engaging with the customers more online, and this is proving fruitful. An example is the luxury brand Gucci which saw tremendous growth in 2017. Gucci's e-commerce sales rose by 86% in 2017; the increase was attributed to their

new online experience and their reinvention for Millennial customers "geek-chic." Followed by their new online experience Gucci launched online stores in key markets. They utilized technology to their advantage, by customizing their websites to provide visual presentation and stories – this allowed them to tailor a personalized experience of the customers. Gucci added elements such as web chat, e-mail, and direct phone contact. Additionally, they took further advantage of new technological innovation and introduced ads which could be scanned by phones and increased their virtual reality experiences in 2018 (Danziger, March 2018).



Gucci serves as just one example of how the use of technology can serve as a powerful tool for luxury brands to increase their sales. It does not mean that all luxury brands need to make their products available for purchase online, but instead it highlights how brands need to be present online. As Luxe Digital blog writer Samantha Woodworth stated a March 2019 issues, "Big data and artificial intelligence, for example, are redefining how affluent

consumers and brands interact." Luxury brands need to generate a channel of communication between themselves and their customers so that they may too benefit from digital growth like Gucci.



Deloitte consumer report (2019) stated that: "Despite the recent slowdown of economic growth in major markets including China, the Eurozone, and the US, the luxury goods market looks positive." The opportunities within the luxury market are far from depleted. There is room for growth, and consumers are expected to increase their online purchases every year. A report conducted by Antonio Achille, Sophie Marchessou, and Nathalie Remy at



McKinsey&Company (2018), predicts that by 2025 almost one-fifth on luxury sales will be conducted online. This means that having that open channel online is going to be strategically beneficial for luxury brands, as neglecting to do so could leave barred from gaining profits from almost one-fifth of the market.

Embracing technology can seem like the last thing luxury brands would want to do, as this could potentially harm their luxury status by making them too readily available. However, if done right – it can allow luxury brands to not only increase their sales but also heightened the luxury status by becoming even more iconic and timeless.

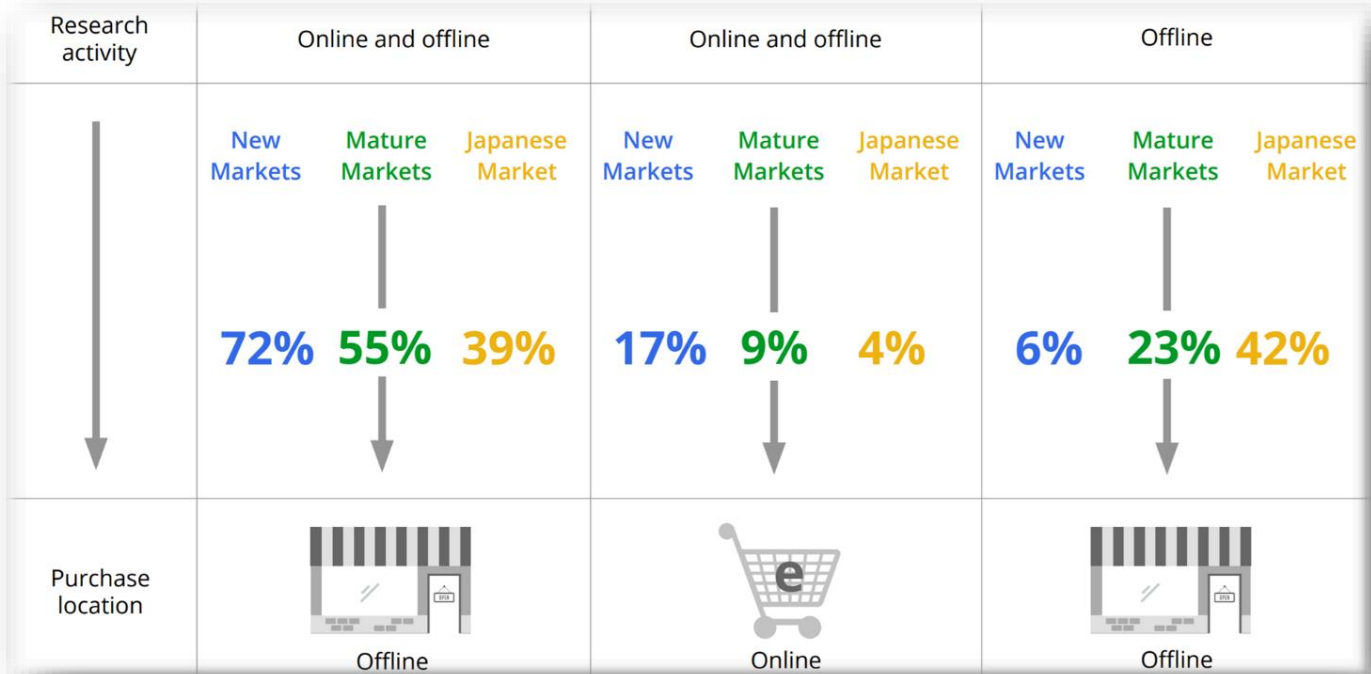
## 1.2 THE CONSUMER

There is a direct correlation between the evolutions within the luxury market that aligns with the shift in affluent consumers. While it is mainly Generation Z and Millennials that are behind the rapid growth of the sale of luxury goods globally, the new consumer trend is also consuming the baby boomers and older generations (Woodworth, 2019). This Millennial guided chain effect that brings baby boomer and generations alike into the fold is resulting in raising sales within the luxury market. The affluent consumers of luxury goods like many consumers out there, work hard for their money and will not part with it as easily unless they feel a product or service is worth the higher price tag – mainly focusing on the quality. If the quality of the product is worth it to an affluent consumer, then they will pay the price and here lies the difference between non-affluent consumers and affluent consumers. While

research conducted by Simmons Research and cited by eMarketer, concluded: "affluent consumers are just as likely as non-affluent consumers to shop around to take advantage of specials/bargains and to hold off on buying things until they go on sale." (Gigante, 2018). However, affluent consumers are willing to pay a higher price for quality because it is more critical whereas non-affluent consumers are more sensitive to the cost of the item and find it harder to spend more money for better quality.

Samantha Woodworth further noted on her blog in March 2019, that affluent consumers are looking for an experience and when luxury brands can make their products an experience then it proves to be successful in increasing sales. She added that in particular luxury brands within the beauty and fashion industry have been able to infuse aspects of wellness into their products and services which has been successful in delivering a level of experience to their consumers that transcends their products. In the past, the journey to making a connection with an affluent consumer that was able to generate the desire to purchase a product was much more linear, but with phones and digital media playing a more prominent role in consumers' lives, it has become much more fragmented. In particular, the high-end travel industry is predicted to experience tremendous growth over the next year due to the spending preference of Millennials being on focused on experiences rather than products. The industry is set to reach spending by affluent travelers of almost \$1.4 trillion (Woodworth, 2019). Online content has become an essential tool in not only

connecting potential consumers to luxury brands, but also maintaining the existing connection between existing consumers and a brand.



Furthermore, consumers within the luxury market are also increasing their online research before making purchases – even if the purchase takes place instore. In the figure above, data conducted and published in the article “How Affluent Shoppers Buy Luxury Goods: A Global View” (2013) demonstrates the research patterns of consumers within the main three luxury markets.

The Japanese market, which acts differently than the new and mature market is the only market that contains consumers that do a majority of their research offline; so if the brand has no online presence, it will not be impactful within this market. However, there is a decent percentage of consumers within the new and mature markets that conduct

research not only offline but also online. While this does not directly correlate with the location of where consumers purchase their items it does affect where consumers are getting their information from. This is significant for luxury brands to take note of, because if they are absent online, then they are missing the opportunity to connect with consumers that are looking for products or services online. The importance of having a digital marketing campaign is essential particularly within the new markets because not only do 72% percent do research offline and online and purchase offline, but 19% that is almost one fifth on consumers in this market do research online and offline and buy online.

The luxury market is changing as a result of its consumers changing. For companies to retain and attract new customers, they must adapt to the new trend which entails being able to relate to consumers via a digital platform but still be able to create the same emotion and relationship as if the customer were walking into the store. Consumers in new markets are increasing their online research, an activity that is rising within consumers in the mature markets. Linda Dauriz, Nathalie Remy, and Nicola Sandri with McKinsey&Company (2014) conducted research which concluded that even though e-commerce sales did not make a large portion of the sales within the luxury market, around 40% of luxury sales are in one way or another influenced by consumer's digital experience. Consumers' involvement online can lead to in-store sales. Thus a digital approach can open new points of sales for brands by increasing the likely hood of purchase.

### 1.3 THE FUTURE

The competitive landscape of the market has changed, with the barriers of entry being significantly decreased by online retail – the luxury market is becoming more and more competitive. There is a strong indicator that luxury brands will need to find ways to adapt quickly as technology continues to shape consumers. Based on the knowledge acquired through my research, I find the following two challenges to be the main challenges that luxury brands will have to face as digital marketing evolves.

The first is luxury brands' ability to differentiate themselves; this will be a challenge because it is easier to replicate and duplicate online content than it is to replicate customer service and in-store experience. Companies will need to get creative within their marketing techniques to make sure their ideas are original and unique – otherwise, they risk becoming too similar to other brands, and this can affect the way consumers perceive a luxury brand. The second is their ability to adapt quickly; the shift in the luxury market has altered decades of traditional marketing and consumer behavior.

The fast development of technology can lead to unexpected changes and companies can struggle to adapt just as they are currently struggling to adjust to the new age digital marketing. Lastly, their ability to replicate the in-store experience online, but also stay true to their brand and image. Companies will need to find a middle ground in between adapting and maintaining the luxury appeal and status. The change to their marketing techniques

needs to be seen and heard by their customers and potential consumers, while also blending smoothly with their existing brand image and legacy.



## 2 RESEARCH AND NEXT STEPS'

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The research was conducted via online databases, Oklahoma State library resources, and personal knowledge. As a fourth-year student at Oklahoma State University and the Spears School of Business, I have taken many courses over marketing. These courses provided me with the necessary knowledge to identify the differences between marketing traditional products and marketing luxury products. Additionally, while studying abroad in France, I studied luxury brand marketing and gathered additional knowledge on the subject and drew interest to conduct this research. The various online journals and articles that provided the information which was utilized all addressed the luxury industry and consumers, however, they did not all clearly define what parameters they used when classifying items as luxury products.

I want to take my research to the next level with hopes of conducting real-world surveys targeting the impact of digital marketing on brand recognition and likelihood of purchase. I want to do this to further determine with more accuracy if there is a direct correlation between recognizing brands and desiring to purchase a luxury product. I want to look at the responses from affluent and non-affluent consumers as it was revealed through my research that affluent and non-affluent consumers share more similarities in their behavior than they do differences. I want to expand my research to gather a greater understanding of the luxury market, the consumers within the luxury market, and get a better understanding of what the future looks like for luxury brands.

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